

BANK INDONESIA

**BANK INDONESIA REGULATION**

**NUMBER 2/1/PBI/2000**

**CONCERNING**

**THE FIT AND PROPER TEST**

**THE GOVERNOR OF BANK INDONESIA,**



Considering:

- a. whereas to create a robust and efficient banking system, it is necessary for the human resources in the banking system to possess a high level of integrity and competence in bank management;
- b. whereas to uphold the integrity and competence of human resources in the banking system, it is necessary to establish the fit and proper test on an ongoing basis;
- c. now therefore it is deemed necessary to establish the Fit and Proper Test in a Bank Indonesia Regulation;

In view of:

1. Act Number 7 of 1992 concerning Banking (State Gazette Number 31 of 1992, Supplement to the State Gazette Number 3472) as amended by Act Number 10 of 1998 (State Gazette Number 182 of 1998, Supplement to the State Gazette Number 3790);
2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette Number 66 of 1999, Supplement to the State Gazette Number 3843);

**HAS DECREED:**

To enact:

**THE BANK INDONESIA REGULATION  
CONCERNING THE FIT AND PROPER TEST.**

### Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. Bank is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998, including a branch office of a foreign bank;
2. Fit and Proper Test is the result of an evaluation process conducted on a regular basis or at any time deemed necessary by Bank Indonesia in respect of the integrity of controlling shareholders and the integrity and competence of management and executive officers for the operational management of Banks;
3. Controlling Shareholder is a legal entity and/or individual person and/or business group holding shares in a Bank equal to not less than 25% (twenty five percent) of the total voting shares issued by the Bank, or holding less than 25% (twenty five percent) of the total voting shares issued by the Bank, but nevertheless can be proven to have exercised control of the Bank, whether directly or indirectly;
4. Management is the management of a Bank, consisting of the board of commissioners and board of directors;
5. Board of Commissioners:
  - a. for a Bank legally incorporated as a Limited Liability Company, means a board of commissioners as referred to in Article 1 paragraph 5 of Act No. 1 of 1995 concerning Limited Liability Companies;
  - b. for a Bank legally incorporated as a Regional Government Enterprise, means a board of commissioners as referred to in Article 19 of Act No. 5 of 1962 concerning Regional Government Enterprises;
  - c. for a Bank legally incorporated as a Cooperative, means a supervisory board as referred to in Article 38 of Act No. 25 of 1992 concerning Cooperatives;
6. Board of Directors:
  - a. for a Bank legally incorporated as a Limited Liability Company, means a board of directors as referred to in Article 1 paragraph 4 of Act No. 1 of 1995 concerning Limited Liability Companies;
  - b. for a Bank legally incorporated as a Regional Government Enterprise, means a board of directors as referred to in Article 11 of Act No. 5 of 1962 concerning Regional Government Enterprises;

- c. for a Bank legally incorporated as a Cooperative, means a management board as referred to in Article 29 of Act No. 25 of 1992 concerning Cooperatives;
- 7. Executive Officer means an officer who has influence on the policy and operations of a Bank and is directly responsible to the Board of Directors.

## **Article 2**

- (1) The Fit and Proper Test shall be conducted for Controlling Shareholders, Management, and Executive Officers of Banks.
- (2) The test referred to in paragraph (1) shall be conducted on a regular basis or at any time deemed necessary by Bank Indonesia.

## **Article 3**

- (1) The scope of the Fit and Proper Test shall encompass the factors of integrity and competence factors.
- (2) Criteria for integrity factors as referred to in paragraph (1) shall include:
  - a. window dressing and banking irregularities;
  - b. actions that may be construed as failure to honor an agreed commitment with Bank Indonesia and/or the Government;
  - c. actions in which the Management, Bank Employees, and/or other parties may have derived personal gain and which may have incurred losses or foregone profits for the Bank;
  - d. actions that may be construed as violations of prudential banking regulations; and
  - e. actions by Management and Executive Officers that may be construed as lacking independence.
- (3) The criteria for the competence factor as referred to in paragraph (1) shall encompass:
  - a. sufficient knowledge of banking;
  - b. experience and expertise in banking and/or financial institutions; and
  - c. capacity for strategic management within the framework of the development of a sound Bank.

#### **Article 4**

The results of the Fit and Proper Test shall be graded according to the 3 (three) following criteria:

- a. passing grade;
- b. qualified passing grade; or
- c. failing grade.

#### **Article 5**

In the event that parties awarded a passing grade as referred to in Article 4 letter a are known to have bad debts classified as loan losses with a bank, these parties shall be awarded a qualified passing grade as referred to in Article 4 letter b.

#### **Article 6**

The parties awarded a qualified passing grade as referred to in Article 4 letter b shall be required to:

- a. make a written statement declaring that they will no longer commit similar actions;
- b. make a written statement declaring that they will not commit any of the other irregularities referred to in Article 3 paragraph (2); and/or
- c. undertake remedial measures or acquire the required added knowledge within a stipulated deadline.

#### **Article 7**

Parties awarded a qualified passing grade as referred to in Article 4 letter b and Article 5 shall be required to settle their bad debts within a period of not more than 1 (one) year.

#### **Article 8**

- (1) Parties awarded a failing grade in the Fit and Proper Test as referred to in Article 4 letter c shall:
  - a. in the case of Management and Executive Officers, resign immediately from their positions as Management and Executive Officers of the Bank;

- b. in the case of Controlling Shareholders, relinquish ownership in whole or in part so that not more than 10% (ten percent) remains after a period of not more than 1 (one) year.

### Article 9

- (1) Parties awarded a qualified passing grade and who have made the written statements referred to in Article 6 letter a and letter b shall be liable to the following sanctions:
  - a. in the case of Management and Executive Officers, dismissal from their positions as Management and Executive Officers of the Bank;
  - b. in the case of Controlling Shareholders, relinquish ownership in whole or in part so that not more than 10% (ten percent) remains after a period of not more than 1 (one) year.if at any time they commit similar actions or other irregularities.
- (2) Management and Executive Officers awarded a qualified passing grade and required to undertake remedial measures or acquire additional knowledge as referred to in Article 6 shall be liable to the sanctions of dismissal from their positions as Management and Executive Officers of the Bank in the event that they are unable to comply within a period of 1 (one) year.
- (3) Parties awarded a qualified passing grade and unwilling to comply with the requirements referred to in Article 6 shall be liable to the following sanctions:
  - a. in the case of Management and Executive Officers, dismissal from their positions as Management and Executive Officers of the Bank;
  - b. in the case of Controlling Shareholders, relinquish ownership in whole or in part so that not more than 10% (ten percent) remains after a period of not more than 1 (one) year.
- (4) Parties awarded a qualified passing grade and required to settle bad debts as referred to in Article 7 shall be liable to the following sanctions:
  - a. in the case of Management and Executive Officers, dismissal from their positions as Management and Executive Officers of the Bank;
  - b. in the case of Controlling Shareholders, relinquish ownership in whole or in part so that not more than 10% (ten percent) remains after a period of not more than 1 (one) year;in the event that they are unable to settle the bad debts within a period of 1 (one) year.

#### **Article 10**

Parties awarded a failing grade as referred to in Article 8 and parties against whom sanctions have been applied as referred to in Article 9 paragraph (1), paragraph (2), paragraph (3), and paragraph (4) may be included in the list of disgraced persons in banking.

#### **Article 11**

The process and results of the Fit and Proper Test shall be confidential and used only by Bank Indonesia for tasks conducted within the framework of Bank regulation, supervision, and examination.

#### **Article 12**

- (1) The results of the Fit and Proper Test shall be reported by Bank Indonesia to the Bank, Controlling Shareholders, and the tested parties as referred to in Article 2 paragraph (1).
- (2) Results of the Fit and Proper Test as referred to in paragraph (1) shall be confidential.
- (3) In the event that a Bank, Controlling Shareholder, and tested party discloses results of the Fit and Proper Test as referred to in paragraph (1) to any other party, all legal consequences arising therefrom shall constitute the liability of the party concerned.

#### **Article 13**

Scoring procedures for the Fit and Proper Test shall be stipulated further in a Circular Letter of Bank Indonesia.

#### **Article 14**

This Bank Indonesia Regulation shall come into force on the date of its enactment.

BANK INDONESIA

- 7 -

Enacted in: Jakarta,  
Date: January 14, 2000

**THE GOVERNOR OF BANK INDONESIA**

(signed)

**SYAHRIL SABIRIN**

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 3 OF  
2000

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